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Comments from the Caravan

Every time that you attend a course you should fill out a course critique form. A few of you spend a lot of time giving both positive and negative feedback about the courses that you attend. The most recent course sponsored by the Commission was the Fall Educational Caravan, Meth: Closer than you Think. The Commission would like to take this opportunity to share with you some of the critiques of this course.

"This was the best Caravan class in 10 years."

"Very informative! Shocking! This subject matter is too critical not to know about. Thanks SDREC!"

"I thought this course was very educational. I never knew that there was such a problem with methamphetamines in our area as well as surrounding states on this issue. After this course I will know some of the things to look for and watch for, thank you."

"What a pleasant surprise. This course was interesting, topical, proactive and appropriate."

"This should be a mandatory class, ethics class won't save lives, but this course could."

"Great information on the characteristics of a meth user/maker and also what to look for in evaluations of possible meth lab sites. Maybe a little to much info on the cleaning up after the fact."

"Excellent information! It is very scary to think of all of the innocent people that are affected. Thank you for putting on a very good education class on this subject."

"I am glad I have been well informed. I never imagined that there was this much to know about meth."

"This was a very scary course, but I feel a lot more informed and I feel a little better about what to look for and how to exit and deal with the problem even if it just a suspicion of meth. Thanks."

"The course could have been a 3 hour course, but we know repetition teaching helps you to maintain knowledge better than going fast. It was very educational and I am glad I made it here."

"Finally something really useful!"

"Extremely 'eye opening' materials, wonderfully presented."

From the Directors Desk



Fall is upon us and once again the Commission sponsored an exemplary educational caravan. If you weren't among the almost 800 in attendance, you missed a very informative and useful seminar presented by MAPP-SD. Attendees learned what to look for when showing a property that may indicate the manufacturing or use of methamphetamines. They also gained knowledge of the hazards associated with meth and how to recognize a meth user. If you would like more information, please go to the Commission website at www.state.sd.us/sdrec. When you get to our homepage, click on "Links to Other Agencies and Resources" and then click on "MAPP-SD".

License and errors and omissions insurance renewals have been mailed. Both are due into the Commission office no later than November 30th. Both may be mailed together with one check. A license will not be renewed on active until the licensee has errors and omissions insurance in place for 2005 and completed the necessary education.

All active resident salespersons who wish to remain active after December 31st must be upgraded to broker associate by that date. There are currently 251 resident salespersons falling under this category. Broker associate applications have been mailed to these individuals.

The Commission is partnering with University of South Dakota graduate students to develop an office guide to assist licensees. We're very excited about this project and are looking forward to working with these talented students.

Another project soon to be underway is a rewrite of the Consumer Guide with the addition of a section on home inspection. We are open to any suggestions you might have to make this guide more user-friendly, so please contact me with your ideas.

With Thanksgiving just around the corner, I'd like to reflect on my recent visit to the American Holocaust Museum in Washington, DC. I was impressed with the words written by a young girl victimized by these horrendous crimes. Her name was Anne Frank, and in her diaries she wrote, *"I do not think of all the misery, but of the glory that remains. Go outside into the fields, nature and the sun, go out and seek happiness in yourself...Think of the beauty that again and again discharges itself within and without you and be happy."* Thanksgiving reminds us of so many blessings to count...and so many treasured memories. I hope your Thanksgiving is filled with more good fortune and new memories to cherish.

DjN

A Letter From the Chairman



ARELLO is an acronym standing for Association of Real Estate License Law Officials which has gone international having several countries as members of the organization. An example of members other than our United States includes, Australia, Hong Kong, South Africa and New Zealand. It is a valuable organization as we in the world attempt to work together more and more in removing boundaries in carrying on our real estate activities. I recently attended an ARELLO conference in Pittsburgh held in October. Note the theme of the conference which centered around "overcoming barriers, it's time to build bridges, work around obstacles and connect." Commissioners Charles Larkin, Bryan Jackson and Eileen Fischer along with Executive Director Dee Jones Noordermeer, also attended the conference.

The subject of home inspections was high on the list of discussion. A number of states are just getting into the licensing

of home inspectors and are looking to states such as ours for guidance. South Dakota is ahead of many jurisdictions in terms of home inspection licensing. There were two organizations of national prominence that represent home inspectors at the ARELLO meeting: ASHI (American Society of Home Inspectors) and NAHI (National Association of Home Inspectors). Agreement was reached that these two organizations would work with an ARELLO committee in the interim to work on a home inspector licensing model that members may find useful in their own jurisdiction. Former Executive Director of the Commission Larry Lyngstad will chair the committee with Commissioner Larkin also serving on the committee.

VOWS (Virtual Office Web Sites) was the subject of a panel consisting of Laurie Janik of NAR, Miriam Baer of the North Carolina Real Estate Commission, David Staebler of TreND Multiple Listing Service, Mark Briol of Briol & Associates, PLLC, and George Chester Jr., Esq. of Covington & Burling. It was discussed that 70% of consumers begin their home search on the internet therefore, the goal is to have e-commerce laws that prevent fraud, facilitate the market place allowing consumers to benefit from such innovative and convenient services.

The subjects discussed at the conference were many and varied including the subject of "Ethics Education is it Working?" Deborah Long was the presenter on this topic. Dr. Long's message was that progress has been slow in raising the public perception of real estate agents at least according to Gallup Polls. She provided the opinion the most licensees want to do right, if they know what is right. Determining what is right becomes increasingly complicated in communities in which people no longer look like another, talk like one another and even think like one another. Dr. Long suggests, "As we struggle for answers, it is becoming apparent that a teacher's highest purpose lies in bringing ethical clarity to a confused situation -- in reminding us of our core moral values and in encouraging us to resist the temptation to abandon them."

**Loren Anderson,
Chairman**

New Licensees

The South Dakota Real Estate Commission would like to welcome the following new licensees.

Auctioneer

Mettler, Gerald H - Canton

Broker

Beyer, Delbert L - Boyden, IA
Christenson, Robert A - Sioux Falls
Collins, Donald A - Sioux Falls
Fjelland, Chad G - Clark
Iverson, John J - Fargo, ND
Kirby, Patrick V - Sioux Falls
Kourl, Lon J - Sioux Falls
Pahlke, Alvin - Winner
Stebbins, Jack D - Mandan, ND
Thomas, Jonathon A - Lincoln, NE
Vander Top, Gary W - Woodstock, MN

Broker Associates

Baker, Calvin A - Rapid City
Balster, Ronald D - Rapid City
Blackburn, Scott - Sioux Falls
Brooks, Jeffrey P - Sioux Falls
Clark, Steven T - Sioux Falls
Clow, Brenda A - Sioux Falls
Cook, Michael S - Rapid City
Croeni, Robert C - Aberdeen
Doll, Tye F - Sioux Falls
Dunham, Christine E - Sioux Falls
Farmer, Laura A - Sundance, WY
Fitts, Rodney E - Brandon
Fodness, Michael C - Sioux Falls
Greer, David C - Sioux Falls
Guericke, Janelle D - Pierre
Haak, Craig R - Mitchell
Hansen, Marschall D - Salem
Hartog, Scott A - Redfield
Himrich, Robert D - Sioux Falls
Hollenbeck, Terri L - Hot Springs
Houser, Mindy A - Canton
Hyde, Brady C - Sioux Falls
Johnson, Corey L - Sioux Falls
Karli, Kimberly A - Sioux Falls
Laber, Kim K - Rapid City
Lewis, Shawn R - Custer
Pommer, Rachel - Sioux Falls
Prochniak, Jennifer L - Sioux Falls
Renner, Rita J - Sioux Falls
Rentschler, Julie A - Sioux Falls
Rickert III, Paul A - Sioux Falls
Sekellick, Melanie M - Rapid City
Shelton, Richard R - Huron
Simpson, Michelle M - Rapid City
Thelen, Karen - Sioux Falls

Thoelke, Jackie K - Sioux Falls
Van Ginkel, Scott E - Sioux Falls
VandeZande, Kathy - Watertown
VonAswege, Kathleen A - Sioux City, IA

Property Manager

Balkenhol, Ferd P - Deadwood
Cook, Betty - Sioux Falls

Reg. Home Inspector

Fogel, Stan E - Aberdeen
Richardson, Cody J - Yankton

Res. Rental Agent

Conroy, Darla F - Lead
Pockrandt, Amber N - Crooks
Thompson, Brenda L - Tea
Walter, Amanda K - Sioux Falls

Salesperson

Andersen, Anthony M - Sioux City, IA
Butts, Alan R - West Fargo, ND
Hageman, Stephanie M - Sioux City, IA
Hertz, Karla J - Sioux City, IA
Houlton, Douglas D - Boyden, IA
Hulett, Beth K - Sioux City, IA
Lloyd, Elizabeth T - Sioux Falls
Miller, Jan - Jefferson
Reiman, David A - Neligh, NE
Swanson, Wendy - Willmar, MN
Wender, Janice M - Sioux City, IA

Time Share Agent

Northey, Daniel W - Lead
Purtell, David M - Rapid City

Changes in the Renewal Process

In the past the South Dakota Real Estate Commission has had issues with the renewal process. Traditionally the Commission would send a renewal form to every licensee individually which always resulted in a few lost forms and or late forms. There are inevitably phone calls from people wondering where their renewal forms are and why they did not receive them. There are those that send the forms in a day or two before the deadline and wonder why their renewal is not processed within those two days. In an effort to make the renewal process easier for the licensee, responsible broker and the Commission, it was decided to "bundle" this year's renewal forms.

The "bundling" process is fairly simple and should result in a smoother renewal process. The process works as follows: all renewal forms for an entire firm or office are put into a "bundle" and are sent to the responsible broker of that firm/office; from there it becomes the responsible broker's duty to distribute the renewal forms to all of the licensees due to renew within the firm/office; then once the licensee has the renewal form in hand there are three options available for returning the renewal forms to the SDREC office. In the first option the responsible broker will wait and collect all of the renewal forms from the licensees in his/her office and send them into the Commission with a single form of payment for the entire office. The second consists of the responsible broker collecting all of the renewal forms along with individual payment from the licensees and sending the forms and multiple single payments to the Commission office. The final option available is that the responsible broker makes it the responsibility of the licensee to send his/her own renewal form to the Commission office.

Despite the fact that the renewals are sent to the responsible broker and the responsible broker has the option of collecting the renewal forms and submitting them to the Commission the responsibility for the renewal still falls on the licensee. If a firm/office decides to "bundle" its renewals and send in a large packet to the office, the Commission highly, suggest that responsible broker send the "bundle" within two weeks prior to the November 30th deadline.

Speeding up the Renewal Process

In an effort to make the renewal process easy for everyone here is a list of the most common mistakes when attempting to renew a license. Make sure that you avoid these errors and your renewal process will not end up in a headache.

- **Incomplete or inaccurate renewals.** Make sure you fill out your renewal form carefully and accurately. Do not skip a question or a line. Prior to submitting your renewal review the

form and make sure that it is completed.

- **Lack of Errors & Omissions Insurance.** A lack of proof of E&O insurance will result in a non-renewal if you do not submit these forms on time. If you are using the policy endorsed by the SDREC make sure you have payment attached for your current policy. If you are using a policy other than the one endorsed by the SDREC make sure that you supply a certificate of coverage for South Dakota with your renewal.
- **Continuing Education Requirement Not Completed.** If you submit a renewal application and you have not completed your CE your license will not be renewed. There are various ways for you to check your CE. You may call our office and request that information or you can go to our website, www.state.sd.us/sdrec, and check your education quick report under the "For Licensees Only" link on the front page or our website.
- **Late Renewal Submitted with no Late Penalty Fee.** If your renewal is submitted after November 30th you need to include a \$20 late penalty fee for every month your renewal is submitted after November.
- **Lost Renewal Materials.** Your renewal materials will be mailed to your broker's main office. It is your responsibility to make sure you have and complete a renewal form. If necessary you can download a renewal form from our website, www.state.sd.us/sdrec.

Attention Salespersons

If you have not started your broker education to upgrade your license to a broker associate status it is highly recommended that you take one of the upcoming courses posted on our website, www.state.sd.us/sdrec. The courses must be completed by Dec. 31st

Policy Matters: Why Every Company Needs a Policy Manual

Part 2 of 2

By Carmel Streater, Ph.D., DREI

Why Do Companies Have Policy Manuals?

Policy manuals are necessary in today's world to cover the legal requirements made of employers. They also reflect the philosophy of the owner/manager, and the commitment to run the company in accordance with that philosophy.

Workers who read the company policy manual should come away with an understanding of the company's intentions with regard to law and business ethics. Equally as important, most of us can do a better job if we know what we are expected to do, and how we are expected to conduct ourselves while doing it.

When a worker is to be terminated, the company policy manual can be inestimable value. A worker who has not delivered on all of the provisions agreed upon in his signed acknowledgement of the policy manual is in a very poor position to file an unlawful termination suit against his former employer.

Policy manuals place a burden of responsibility on the shoulders of management as well. Managers who fail to implement an office policy when it will penalize a favored associate or employee are sending a clear message to the remainder of the company's work force that management is weak and can be "handled."

This is particularly a problem in businesses engaged in outside sales because the sales associates are usually expert "handlers." Once a single drop of management blood hits the water, a feeding frenzy can be expected.

Wouldn't it be Less Dangerous to Simply Handle Each Situation as it Arises?

Usually, only strong management can prevent hysteria from spreading throughout a company. Sales



In Memoriam

The South Dakota Real Estate Commission extends its sincerest sympathy to the families and friends of the following licensees who recently passed away:

Aaron Strohm - Sioux Falls
Beverly Rustad-McKillip - Sioux Falls
Charles Hunt - Rapid City

organizations may be more susceptible to hysterical reaction than most.

Some reasons why it is better to have company policies in place are:

- The worst time for anyone to make an income-threatening decision is when he is involved in an emotional confrontation.
- The danger increases geometrically when those involved in the confrontation are professional negotiators, each with an agenda cast in concrete.
- Any decision the anger makes will make one individual happy and another unhappy, but the manager who can cite his policy manual as the decision maker will usually make the loser less unhappy than the manager who simply proclaims the decision.

The manager who sticks with the policy manual has a better chance of keeping the unhappy individual from being so unhappy that he will relocate his earning power to another company.

A company policy manual is particularly valuable when some employees are part of the owner/manager's family. Associates/employees may feel that the owner with no policy manual will always rule in favor of the relative even when there is evidence to the contrary.

An owner/manager who follows the company policy manual may have a few uncomfortable moments at home or at the next family gathering, but most relatives will eventually accept the fact that a solvent company is more of a lasting benefit to them than winning an argument.

Are There Other Benefits to Having a Written Company Policy Manual?

Developed and written company policies can be benefit when the owner/manager applies for a business loan. This is particularly true when the new business owner has no established track record as an owner.

The ability to articulate specifically how legal and employee-interaction situations will be handled before the doors open for business is an indication to the prospective tender or investor that the new entrepreneur has given thought to the day-to-day management of the company and is capable of finding solution to problems.

Keep in mind that the policy manual should be reviewed and improved at regular intervals. If a policy developed earlier becomes illegal, either difficult or impossible to enforce, or simply unworkable, the review and improvement process can be used to correct the situation.

NEVER simply ignore a company policy that has proved unworkable. This opens the door to blatant disregard of company policies by managers and workers alike.

A business founded because of high demand for it's products may initially succeed with no serious effort on the part of its management. As long as product demand remains high management can coast without much thought to policies, swept along by a strong market. Unfortunately, many managers in such businesses are not aware that the market is carrying them; if they give any thought to the management process at all they often

conclude that they have developed a new management style.

This fantasy can be sustained until there is a slowdown in the market. When demand diminished all of the laissez faire sins of management become glaringly obvious, but the manager is so consumed by the need to keep the business afloat that development of a policy manual does not even make the to-do list.

At the time when intelligent, well-thought-out and tested policies may save the business there is not time, energy or interest in writing one. The policies developed today can save daily management problems when business is at a peak and may save the business when the inevitable business trough comes along.

Written company policies make it possible for management to be passed from one individual to another without threatening the existing work force.

Parents retire and pass the management function to children or others, a spouse may become disabled and pass the management functions to the other spouse, or an owner may simply sell the business.

Any change create unrest within a work situation. The incoming manager who can point to written company policies that have been in force under old management is able to offer stability.

In fact the new management may wish to change certain of the existing policies, if that manger is willing to do so slowly and as the situation warrants action, there will be a comparatively little reaction from the work force; if the new manger spends his first month firing off memos contradicting existing policy, he can expect unrest within the ranks.

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Articles by outside experts express the author's particular viewpoints. These opinions are not necessarily shared by the Commission, nor should they be mistaken for official policy. The articles are included because they may be of interest to the readers.

APPRAISER UPDATE

This section of the South Dakota Real Estate Review is the responsibility of the South Dakota Department of Revenue and Regulation Appraiser Certification Program. Articles are printed here to communicate pertinent information to those appraisers who receive this newsletter and are licensed under the Certification Program. Appraiser certification inquiries can be directed to Sherry Bren, Program Administrator, 445 East Capitol, Pierre, SD 57501, 605-773-4608

Appraiser Certification Program: Mission – Purpose – Intent

The Appraiser Certification Program was implemented July 1, 1990, pursuant to enactment of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) by Congress. The mission of the Program is to certify, license and register appraisers to perform real estate appraisals in the state of South Dakota pursuant to Title XI (FIRREA). The purpose of the Program is to examine candidates, issue certificates, investigate and administer disciplinary actions to persons in violation of the rules, statutes and uniform standards, and approve qualifying and continuing education courses. Title XI intends that States supervise all of the activities and practices of persons who are certified or licensed to perform real estate appraisals through effective regulation, supervision and discipline to assure their professional competence.

Appraiser Certification Program Advisory Council

Council members provide recommendations to the Secretary of the Department of Revenue and Regulation in the areas of program administration in order to sustain a program that is consistent with Title XI. The Council meets quarterly in public forum. See the Website for meeting information. www.state.sd.us/appraisers

USPAP Q & A

September 2004, Vol. 6, No. 9

Question 1 – Are appraisers required by USPAP to disclose receipt of things of value that are connected to the procurement of an appraisal assignment in the appraisal report?

Question 2 -- (a) Jim, an independent contractor, works for my appraisal company on a regulator basis. I have always kept all appraisal file documentation (including hard copies of appraisal reports, field notes, drawings, etc.) at my office. Now Jim wants to keep the files relating to his work in his own possession. Under USPAP, which appraiser should keep the workfile?

(b) Is the Record Keeping section of the ETHICS RULE upheld if an institutionally employed appraiser ensures that his organization retains copies of his appraisal work for five years? Or, must the appraiser also maintain a personal file of all work performed?

(c) A client's attorney requested that I supply all of my files/records regarding an assignment. Can I do this and still be in compliance with the record keeping requirements for USPAP? Also, what must I retain in my files as proof that the files are now the responsibility of the attorney? Will a simple letter from the client be sufficient?

Question 3 – What is the difference between a client and an intended user?

Question 4 – Frequently, the borrower in a lending transaction is provided with a copy of the appraisal report; and in some cases, the appraiser knows that the borrower will be receiving a copy of the appraisal report. When the appraiser is aware that the borrower or any other third party will receive a copy of the appraisal, does this make the third party an intended user?

Question 5 – The terms “recertification of value” and “appraisal update” are often used interchangeably. Do they have the same meaning?

Question 6 – Appraisers are receiving conflicting advice regarding the requirements to provide an “as is” value. Can the

Interagency Work Group provide guidance on exactly when an “as is” value is required and when it is not?

[The Appraisal Standards Board of the Appraisal Foundation have reprinted Q&A's (Questions listed above) from the 2004 Frequently Asked Questions (FAQ) publication because they are questions which continue to be asked on a regular basis. The 2004 FAQ publication is available for purchase from the Appraisal Foundation.]

October 2004, Vol. 6, No. 10

Question 1 – The Management section of the ETHICS RULE requires an appraiser to disclose, ...fees, commissions, or things of value... paid in connection with the procurement of an assignment. If a referral fee was paid in conjunction with an assignment, must the amount of the fee be disclosed, or is it sufficient to simply disclose that a fee was paid?

Question 2 – I am a licensed trainee with approximately six months of experience. My supervisory appraiser recently deemed me competent to perform inspections on my own; however, many of our clients require the supervisory appraiser to physically inspect the property as well. If I do the inspection by myself but take numerous representative photos of the interior of the subject property, may my supervisory appraiser check the box indicating that he “Did Inspect” the interior of the property?

Question 3 – I have been looking for new clients and found that many request sample appraisals for review, but I'm concerned that I would be in violation of appraiser-client confidentiality by providing them. To alleviate this problem, I'm considering including the following disclaimer in the “fine print” or my reports: “The appraiser reserves the right to utilize this report in its entirety as sample work for the purpose of soliciting prospective clients unless written refusal is received from the client.”

Does USPAP allow me to do this?

Answers to the above questions can be found at: www.appraisalfoundation.org

New Licensees – September-October

Carl R. Clavell, State-Certified General by reciprocity Denver, CO

Sandra L. Gresh, State-Registered Britton, SD

Belinda L. Jameson, State-Certified Residential by reciprocity Fayetteville, NC

Scott S. Edmundson, State-Certified Residential by reciprocity Madison, WI

Theodore Risty, State-Registered Yankton, SD

Brett L. Moffatt, State-Registered Ireton, IA

Daryl F. Kerzman, State-Licensed by reciprocity Mandan, ND

George S. Janning, State-Certified General by reciprocity Kearney, NE

Greg J. Brummond, State-Certified Residential by reciprocity Sioux City, IA

Jarrett J. Mackey, State-Registered Rapid City, SD

Tara L. Fletcher, State-Registered Big Stone City, SD

Supervisor or mentor, what's the difference?

By Karen Oberman, Vice-Chair of the Iowa Appraiser Board

[This article has been reprinted from the Iowa Professional Licensing Division Newsletter, October/November/December 2004]

So, you want to be an appraiser? Stepping into the appraisal industry, as I am sure most trainees will attest to, is not the easiest task. But, one could argue, neither is becoming a doctor, a lawyer, a teacher, a police officer, etc. Nearly every profession has educational requirements; some have physical requirements, and most have “training” requirements.

To become a state certified residential or certified general real estate appraiser in the State of Iowa you need 2500 (certified residential) or 3000 (certified general) hours “experience” respectively, to round out the requirements for licensure. The experience is in essence, the hands-on training that is provided by a mentor.

Within our industry, we have typically assigned the word “supervisor” in lieu of the word mentor. I would simply caution that if you are a trainee, while technically, you need a “supervising appraiser,” you need to carefully consider what the difference between these two roles can be and actively seek a mentor, regardless of the term used in the signing of the report.

A supervisor, by definition is a person who manages, or directs. A mentor however is defined more aptly as an advisor. An advisor, by title, implies that the giver of the advice has knowledge or experience. It is the knowledge and the experience that is the invaluable aspect of the training/experience gathering process towards licensure. If a trainee is simply being “supervised,” then there could be cause for concern when actual demonstration of

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competency for credit of the experience is requested.

Signs that you are being “supervised” versus “mentored”:

1. A supervisor will inspect only a handful of properties with you before “setting you loose.”

A mentor will inspect a variety of property types, conditions, locales, value ranges, etc., for as long as it takes for you to be considered competent in the data gathering process that is the start of nearly every appraisal assignment. A mentor will continue to inspect properties with you throughout your 2500-hour (and 24 month) experience requirement, as necessary, based upon the complexity of the assignment. A mentor will show you how to appropriately and accurately measure and sketch the improvements, which are the subject of the assignment.

2. A supervisor will give you technical pointers and verbiage for the structure (double-hung windows; poured concrete foundation; vinyl siding, etc.).

A mentor will show you the differences in types of construction and materials used in different styles, age, and quality types of homes. The mentor will encourage you to become familiar with construction terms by reading, taking a class or walking with you through the local hardware store looking at various components of a property (windows, doors, paint, siding, roofing materials, flooring materials, etc), until you can understand the differences in quality, characteristics of construction (vaulted ceilings, superior mill work, multi-gabled roof lines, etc) and how this impacts value. A mentor will help you understand and evaluate the condition of a property based upon the quality of the materials used in construction, and the maintenance it has or may not have received.

3. A supervisor will instruct you to “fill out the form.”

A mentor will explain the importance of a proper neighborhood description; will help you understand the necessity of adequately and accurately describing the market area; will help you understand how to confirm zoning and analyze the affects of a particular zoning classification on highest and best use; will help you understand and accurately estimate the effective age of a property; and will help you recognize, accurately identify, and understand the affects of functional, physical and external obsolescence.

4. A supervisor will show you how to develop the cost approach.

A mentor will teach you how to support, document and defend the Cost Approach, as well as how to extract, support and apply any necessary functional or external obsolescence that may exist. A mentor will help you understand how physical depreciation is

applied. A mentor will show you how to support land value, and instruct you in the understanding and application of cost manuals.

5. A supervisor will tell you to find three comparable properties and “grid” them.

A mentor will teach you the process of selecting appropriate elements of comparison, understanding the neighborhood and market area prior to the selection of comparables, and will show you how and where to make searches for the information so that all properties that can/should be considered, are. A mentor will help you understand why some properties are “better” than others in a comparison, and will show you how to verify each property with proper due diligence required.

6. A supervisor will tell you what adjustments should be made.

A mentor will teach you how to support and defend adjustments. A mentor will show you how the adjustments are derived from the market and how this process is a continual process of research within the office for each element considered. A mentor will help you understand the application of the adjustment, or perhaps the lack of an adjustment.

7. A supervisor will have you select a number from the indicated range, for a final value.

A mentor will help you analyze the data after adjustments have been made, and appropriately weight and consider all the information available, including perhaps, sales, listings or offers which were not “gridded” in the report.

8. A supervisor will have you add boilerplate addenda for legal purposes.

A mentor will help you write pertinent, necessary and understandable narrative to provide the reader and users of the report with a clear understanding of the processes, analysis and data gathering that took place. A mentor will help you develop a final reconciliation that is supported, documented and defensible.

These are just a few of the differences, between a “supervisor” and a “mentor.” Regardless of the term that you apply to the person providing this service to you ... it is imperative that you understand which type of person it is that you are learning from. It is quite possible for a supervisor to also be a mentor, but if you are only going to have one of these attributes, make sure that it is the mentor you are working for.

Additionally, a “true” mentor would also encourage you to send out some of your work to a peer for review and constructive criticism. Even the best appraiser can always find ways to improve how they say something, or find that another’s opinion might provide better or other methods of reasonable analysis, which could be considered.

It’s best not to wait until you are nearly done with your required experience hours to find out if you have been properly “trained.”

Legal Issues – Request for Formal Opinion

[The Department of Revenue and Regulation, Appraiser Certification Program received the following request for formal opinion from a mortgage company.]

RE: Real Estate Inventory Reduction Sale

This is an official request for a formal opinion from the board concerning any legal issues from the upcoming Inventory Reduction Sale. The Inventory Reduction Sale is an event designed to reduce the large surplus inventory of homes in this area.

The plan is to have several respected and experienced appraisers perform residential real estate appraisals on over 100 properties in this area. The appraisers are performing their services without upfront compensation but instead will be fully compensated at the closing of each particular home.

An issue was brought to our attention whereby the above arrangement could entice the appraiser to artificially stimulate value on each or all of the properties involved. Our normal process is to give the appraiser the address and MLS number of each property and then to request a fair market value from each appraiser. Our top concern is to have a fair and reasonable appraisal to demonstrate the value in the property.

Further, please understand that we are not requesting a certain value but instead we are requesting only a fair market value. Upfront compensation for the appraiser could only entice the appraiser to produce a requested home value. Compensation at the end of the transaction should have no effect on the ability of a credible appraiser to obtain a fair market value on the respective property.

The Department’s response

The Department has consulted with the Director of Research and Technical Issues (hereinafter referred to as “staff”) of the Appraisal Foundation (authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications). Based on review of the Uniform Standards of Professional Appraisal Practice (USPAP) and the guidance provided by staff of the Appraisal Foundation the Department concurs that the appraisal assignment that has been described in the correspondence would be in violation of the ETHICS RULE, Management Section of USPAP. Specifically sections 4 and 5 below:

It is unethical for an appraiser to accept an assignment, or to have a compensation arrangement for an assignment, that is contingent on any of the following:

1. the reporting of a predetermined result (e.g., opinion of value);
2. a direction in assignment results that favors the cause of the client;
3. the amount of a value opinion;
4. the attainment of a stipulated result;
5. or the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

According to staff of the Appraisal Foundation it is clear that not being paid the appraisal fee unless it resulted in a closed escrow would violate items 4 and 5 above.

(If you have a question regarding appraiser/appraisal issues, please feel free to contact the Department.)

*Wishing you and yours a
happy Thanksgiving. May
your holiday season be full of
joy and cheer.*



THE APPRAISAL FOUNDATION
*Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications*

IMPORTANT CHANGES TO APPRAISER QUALIFICATIONS!!!

On February 20, 2004, the Appraiser Qualifications Board of The Appraisal Foundation adopted changes to the *Real Property Appraiser Qualification Criteria* that will become effective on January 1, 2008. These changes represent the minimum national requirements that each state must implement for individuals applying for a real estate appraiser license or certification as of January 1, 2008. The changes include increased required education, which is summarized as follows:

Category	Current Requirements ¹	1/1/08 Requirements ^{1 2}	1/1/08 College-Level Course Requirements ³
License	90 hours	150 hours	None
Certified Residential	120 hours	200 hours	Twenty-one (21) semester credit hours covering the following subject matter courses: English Composition; Principles of Economics (Micro or Macro); Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers-Word Processing/Spreadsheets; and Business or Real Estate Law. In lieu of the required courses, an Associate degree will qualify.
Certified General	180 hours	300 hours	Thirty (30) semester credit hours covering the following subject matter courses: English Composition; Micro Economics; Macro Economics; Finance; Algebra, Geometry or higher mathematics; Statistics; Introduction to Computers - Word Processing/Spreadsheets; Business or Real Estate Law; and two (2) elective courses in accounting, geography; ag-economics; business management; or real estate. In lieu of the required courses, a Bachelors degree will qualify.

¹ Hours required include completion of the 15-hour National USPAP Course (or its equivalent).

² Hours required include specific coverage of multiple topics-please see the *Real Property Appraiser Qualification Criteria* for details.

³ College-level courses and degrees must be obtained from an accredited college or university.

Please note that individual states may adopt requirements more stringent than the national requirements, and may opt to impose those requirements prior to January 1, 2008. Therefore, applicants for a real estate appraisal license or certification should always check with their state for individual requirements.

The Appraiser Qualifications Board intends to issue additional guidance regarding implementation of the revised Criteria in the near future. Please be sure to check our website at www.appraisalfoundation.org for the latest information. Questions regarding the national requirements can be directed to John S. Brennan, Director of Research and Technical Issues at The Appraisal Foundation, 1029 Vermont Avenue, NW, Suite 900, Washington, DC, 20005, via e-mail to john@appraisalfoundation.org, or by phone at (202) 624-3044.

(Revised 7/1/04)

